veracyte®

# Fourth Quarter 2020 & Full Year Performance

**Business & Financial Presentation**

**February 17, 2021**

# Forward-Looking Statements

**This presentation contains statements that are not historical and that are based on our beliefs and assumptions and on information currently available to us. These statements constitute forward-looking statements within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to known and unknown risks, uncertainties, assumptions, and other factors that could cause actual results to differ materially from our expectations.**

**Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "expect," "believe," "should," "may," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements regarding Veracyte's anticipated timing of launches of new products in 2021, Veracyte's plans, objectives, expectations (financial and otherwise) or intentions with respect to the anticipated acquisition of Decipher, the expected timing for Veracyte's completion of the Decipher acquisition and its expected benefits, availability of Veracyte's testing internationally, Veracyte's total addressable market, the current and future impacts of COVID-19 on Veracyte's business, actions Veracyte has taken, or will take, in response to COVID-19, potential timing for a recovery of Veracyte's business, the catalysts to drive momentum through 2021 and Veracyte's long-term outlook. Forward-looking statements are neither historical facts nor assurances of future performance, but are based only on our current beliefs, expectations and assumptions. These statements involve risks and uncertainties, which could cause actual results to differ materially from our predictions, and include, but are not limited to: the impact of COVID-19 on Veracyte's business and operating results, specifically, and the healthcare system and economy more generally, Veracyte's ability to achieve and maintain Medicare coverage for its tests; the benefits of Veracyte's tests and the applicability of clinical results to actual outcomes; the laws and regulations applicable to Veracyte's business, including potential regulation by the Food and Drug Administration or other regulatory bodies; Veracyte's ability to successfully achieve and maintain adoption of and reimbursement for its products; the amount by which use of Veracyte's products are able to reduce invasive procedures and misdiagnosis, and reduce healthcare costs; the occurrence and outcomes of clinical studies; and other risks set forth in Veracyte's filings with the Securities and Exchange Commission. Factors that may impact these forward-looking statements can be found in Item 1A – "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020. These forward-looking statements speak only as of the date hereof and Veracyte specifically disclaims any obligation to update these forward-looking statements or reasons why actual results might differ, whether as a result of new information, future events or otherwise.**

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# Q4 2020 – Key Takeaways

**Strong Q4 …**

- Total revenue of $34.5 million +16% v.PYQ and +11% v.SeqQ
- Testing and product revenue +16% v.PYQ and +13% v.SeqQ
- Testing and product volume +14% v.PYQ and +12% v.SeqQ
- Testing and product revenue per test ~$2,600 in-line with PYQ + SeqQ

**Commercial momentum…**

- Announced preliminary performance data for two pipeline lung cancer tests: noninvasive nasal swab and Percepta Genomic Atlas
- Implemented new GM Structure to advance global expansion
- Expanded strategic collaboration with LCI at JNJ for NOBLE trial
- Prosigna now approved for reimbursement in Germany

**Pipeline launches + Decipher acquisition to accelerate growth…**

- Nasal swab and Percepta Genomic Atlas on track for 2H 2021
- Envisia Classifier on nCounter for international launch end of 2021
- Decipher acquisition expected to close on or before April 1, 2021
- Guidance: $190-200 million in 2021 revenue (+65% v.PY at midpoint), pending close of acquisition of Decipher Biosciences by April 1st

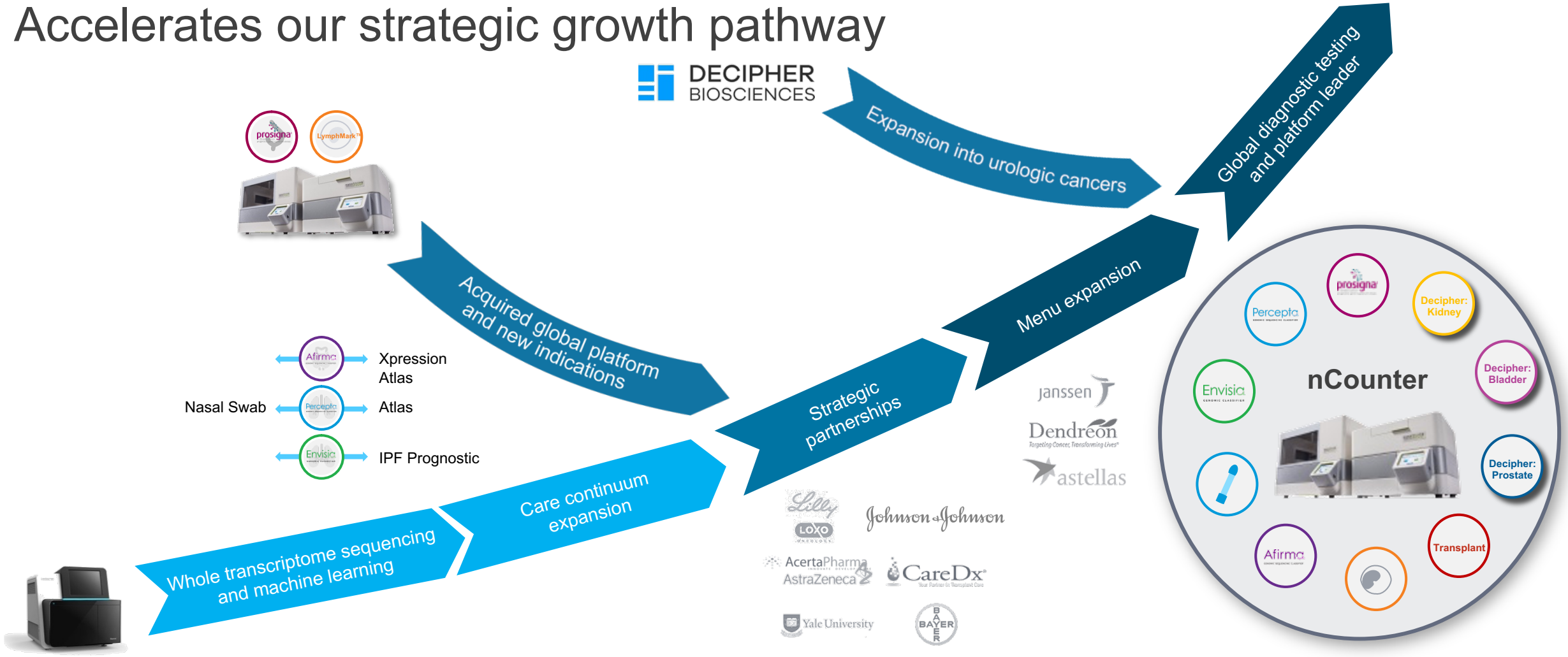
**Financial Discipline…**

- Gross margins of 68% for Q4 2020 and 65% for FY2020
- Positive CFFO of $2.3 million in Q4 ($4.0 million for 2H 2020)
- Total cash used in operations for FY2020 <$10 million
- Solid cash position of $349M at Dec 31, 2020

**Note: Numbers presented in this presentation may vary from SEC filings due to rounding.**

## Veracyte + Decipher Biosciences

# Accelerates our strategic growth pathway




**2013 - 2018** | **2019 - 2020** | **2021+**

1 **Scientific Excellence**

2 **Channel Expansion**

3 **Menu Expansion**

# Numerous catalysts to drive 2021 momentum

| | Product Launches | Reimbursement Expansion | Key Evidence Development |
|---|---|---|---|
| **LUNG CANCER** | ✓ Nasal Swab<br>✓ Percepta Genomic Atlas | ✓ Percepta GSC commercial coverage | ✓ Nasal swab<br>• Clinical validation<br>• Analytical verification<br>✓ Percepta Genomic Atlas<br>• Analytical verification |
| **ILD/IPF** | ✓ Envisia Classifier nCounter | ✓ Envisia commercial coverage | ✓ Envisia nCounter<br>• Analytical verification |
| **BREAST CANCER** | | ✓ International coverage expansion | |
| **THYROID CANCER** | ✓ Afirma XA mets | | |
| **PROSTATE CANCER*** | | ✓ Decipher Prostate expanded Medicare indications | |
| **BLADDER CANCER*** | ✓ Decipher Bladder | ✓ Final Medicare LCD | |

* Pending completion of Decipher acquisition

# New Reporting Items for 2020

Due to U.S. GAAP requirements, we now delineate service lines using the following categories:

| SEC P&L Line Item | Business Discussion | Description | U.S. GAAP | Revenue | Cost of Revenue |
|---|---|---|---|---|---|
| 1) Testing [1] | **Testing + Product [4]** | **Centralized CLIA testing** (includes Afirma, Percepta, Envisia, Cytology, etc.) | ASC 606 | Yes | Yes |
| 2) Product [2] | | **Distributed diagnostic testing** (includes Prosigna tests, nCounter FLEX Systems, etc.) | ASC 606 | Yes | Yes |
| 3) Biopharmaceutical [3] | **Biopharma + Collaborations [5]** (Includes transactions with Johnson and Johnson Services, Loxo Oncology, etc.) | **Biopharma services** (includes sale of services / data, fixed consideration, etc.) | ASC 606 or Analogy | Yes | Yes |
| 4) Collaboration [3] | | **Collaboration services** (includes contingent / variable consideration, milestones, etc.) | ASC 808 | Yes | Currently none |

Footnotes – Please see disclosures in Forms 10-Q and 10-K.

1. The Company commenced recognizing **Testing** revenue in accordance with the provisions of ASC 606 (“Revenue from Contracts with Customers”)(“ASC 606”) starting January 1, 2018. Prior to January 1, 2018, the Company recognized testing revenue in accordance with the provisions of ASC 954-605 (“Health Care Entities – Revenue Recognition”)(“ASC 954”). These services are completed upon the delivery of test results to the prescribing physician. The Company recognizes revenue related to billings based on estimates of the amount that will ultimately be realized.

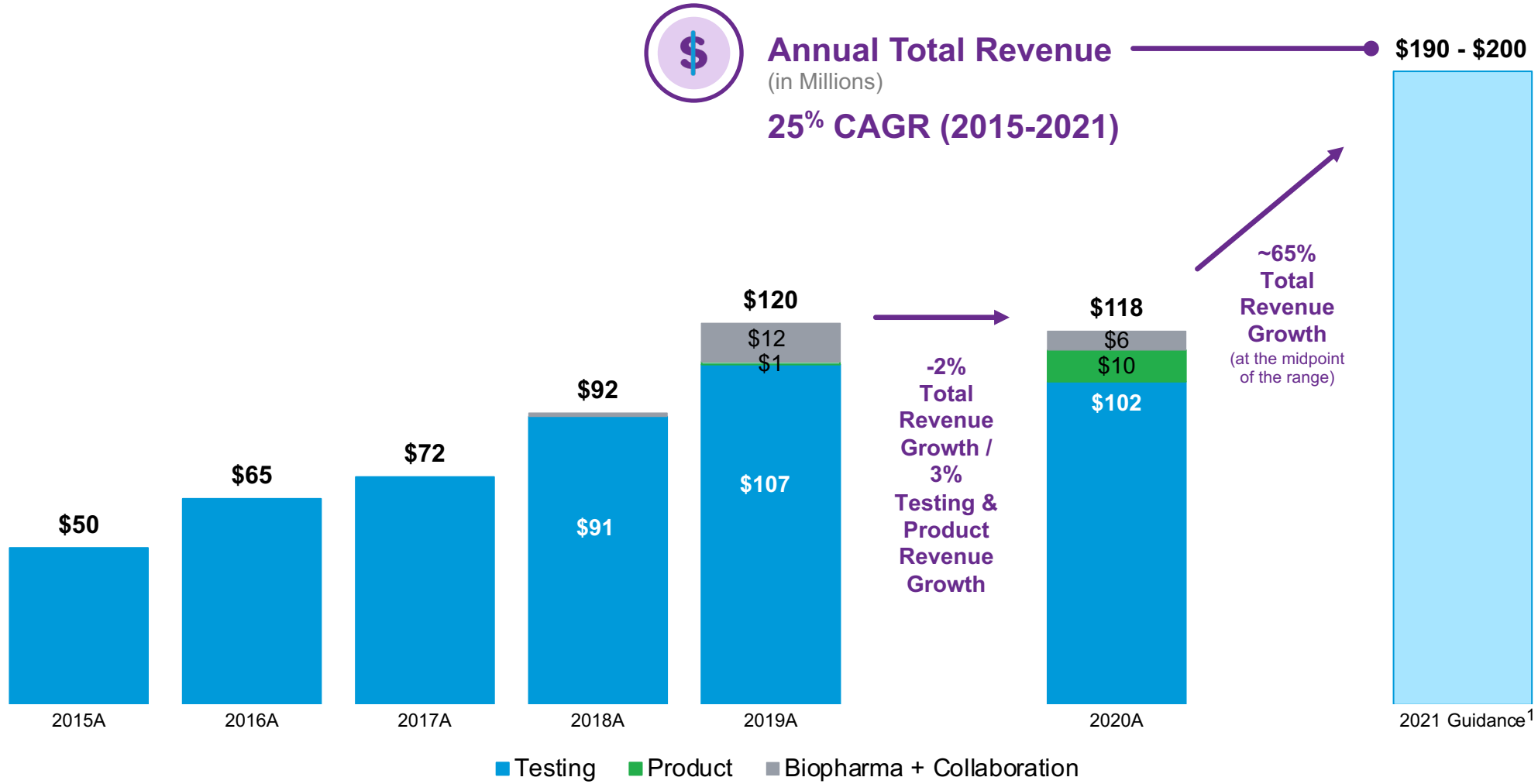
2. In December 2019, the Company announced the acquisition of the exclusive global diagnostic license to the nCounter® platform for diagnostic use, as well as the acquisition of NanoString’s Prosigna® breast cancer prognostic test and in-development LymphMark™ lymphoma subtyping assay. The Company began recognizing **Product** revenue in December 2019 for all distributed diagnostics tests, equipment and other services. The Company recognizes product revenue when control of the promised goods or services is transferred to its customers, in an amount that reflects the consideration expected to be received in exchange for those products or services. When the applicable revenue recognition standard is met, we report all distributed diagnostic tests, equipment and other services as product revenue.

3. From time to time, the Company enters into arrangements for research and development and/or laboratory services. The underlying terms generally provide for consideration to the Company in the form of non-refundable upfront license fees, development and commercial performance milestone payments, and/or profit sharing. We allocate consideration to each distinct performance obligation and recognize revenue when control of the related goods is transferred or services are performed. Consideration associated with at-risk substantive performance milestones is recognized as revenue when it is probable that a significant reversal of the cumulative revenue recognized will not occur. The Company adopted ASU No. 2018-18, *Collaborative Arrangements (Topic 808* or ASC 808), in 2019. A collaborative arrangement within the scope of ASC 808 may be partially within the scope of other U.S. GAAP standards, such as ASC 606. Under ASU 2018-18, transactions in collaborative arrangements are to be accounted for under ASC 606 if the counterparty is a customer for a good or service (or bundle of goods and services) that is a distinct unit of account. Under ASU 2018-18, we are precluded from presenting consideration from transactions with a counterparty that is not a customer together with revenue recognized under ASC 606.

4. In this presentation and in our public statements, we may combine **Testing + Product** revenue when discussing testing services intended for physicians and patients, regardless of whether the test is run in our laboratory, including cytopathology services, or a customer’s laboratory.

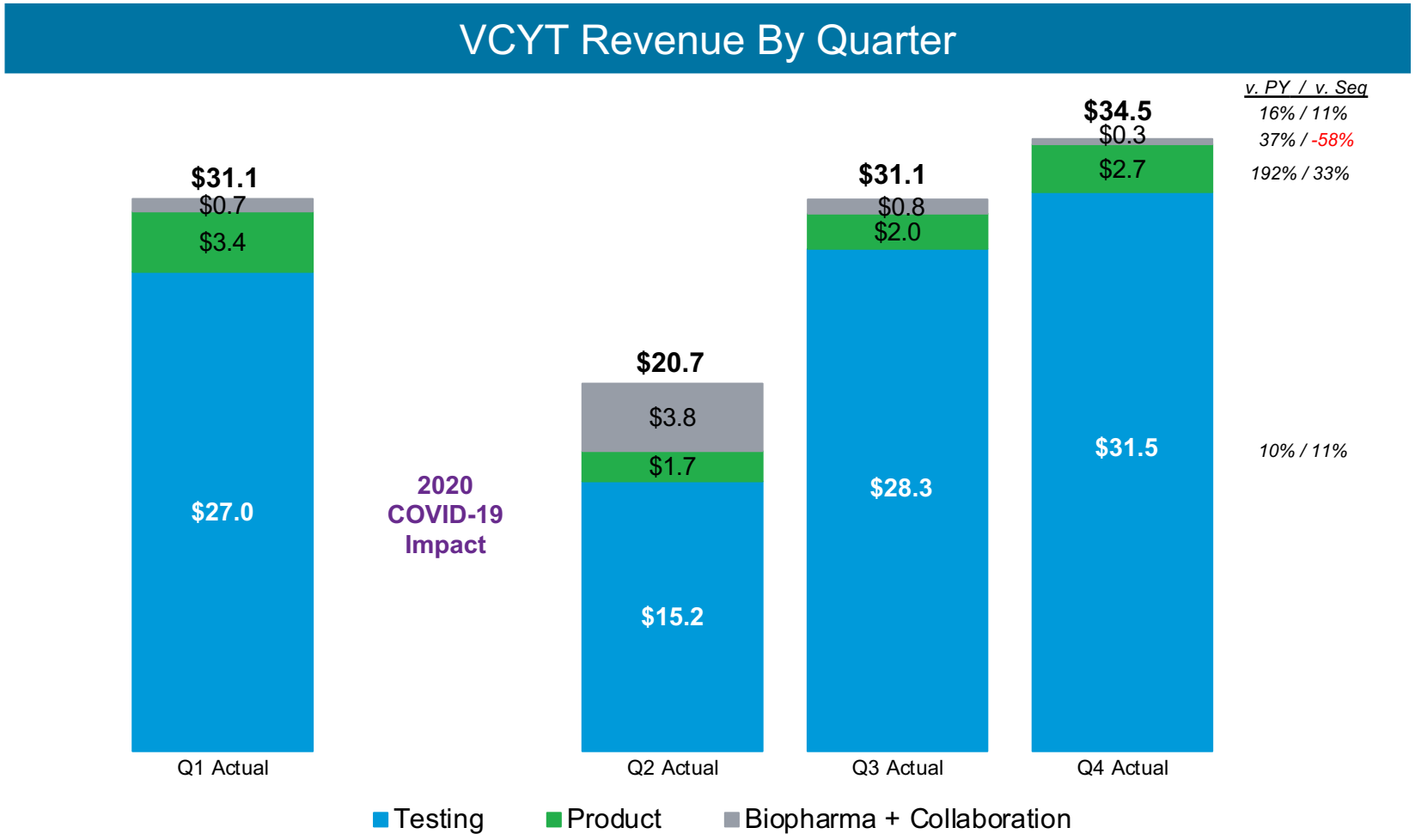
5. In this presentation and in our public statements, we may combine **Biopharmaceutical + Collaboration** revenue when discussing revenue from biopharmaceutical arrangements.

# Robust total annual revenue growth driven by expanded sources




[1]FY2021 Guidance – Pending the completion of the acquisition of Decipher Biosciences, which is assumed to occur by April 1, 2021, Veracyte expects total combined revenue in 2021 to be approximately $190 to 200 million, representing growth of approximately 65% over 2020 at the midpoint of the range.

# Business proving resilient and “U-shape” recovery playing-out



# Financial KPIs vs Prior Year – 2020

| Benchmark<br>+ PY Variance<br>- PY Variance | Revenue | | Gross Margin[1]<br>+ PY Variance<br>- PY Variance | | Operating Expenses<br>(Excludes Cost of Revenue)<br>+ PY Variance<br>- PY Variance | | Net Loss<br>+ PY Variance<br>- PY Variance | | Cash Flow From Opeations<br>+ PY Variance<br>- PY Variance | | Total Volume[2]<br>+ PY Variance<br>- PY Variance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2020 Actuals | $31,122 | | 61% | | $31,079 | | -$11,717 | | -$5,301 | | 13,041 | |
| | +$1,593 | +5% | n/a | -10% | -$7,998 | -35% | -$9,800 | -511% | -$4,291 | -425% | 3,879 | +42% |
| Q2 2020 Actuals | $20,703 | | 63% | | $24,100 | | -$11,026 | | -$8,422 | | 6,628 | |
| | -$9,433 | -31% | n/a | -8% | +$360 | +1% | -$8,531 | -342% | -$5,966 | -243% | -3,035 | -31% |
| Q3 2020 Actuals | $31,121 | | 67% | | $24,817 | | -$4,124 | | $1,752 | | 11,690 | |
| | +$148 | +0% | n/a | -4% | -$1,195 | -5% | -$3,394 | -465% | +$3,308 | +213% | 1,749 | +18% |
| Q4 2020 Actuals | $34,537 | | 68% | | $31,421 | | -$8,042 | | $2,260 | | 13,130 | |
| | +$4,807 | 16% | n/a | +2% | -$3,612 | -13% | -$585 | -8% | +$470 | +26% | 1,604 | +14% |
| 2020 Actuals | $117,483 | | 65% | | $111,417 | | -$34,909 | | -$9,711 | | 44,489 | |
| | -$2,885 | -2% | n/a | -5% | -$12,445 | -13% | -$22,310 | -177% | -$6,479 | -200% | +4,197 | +10% |

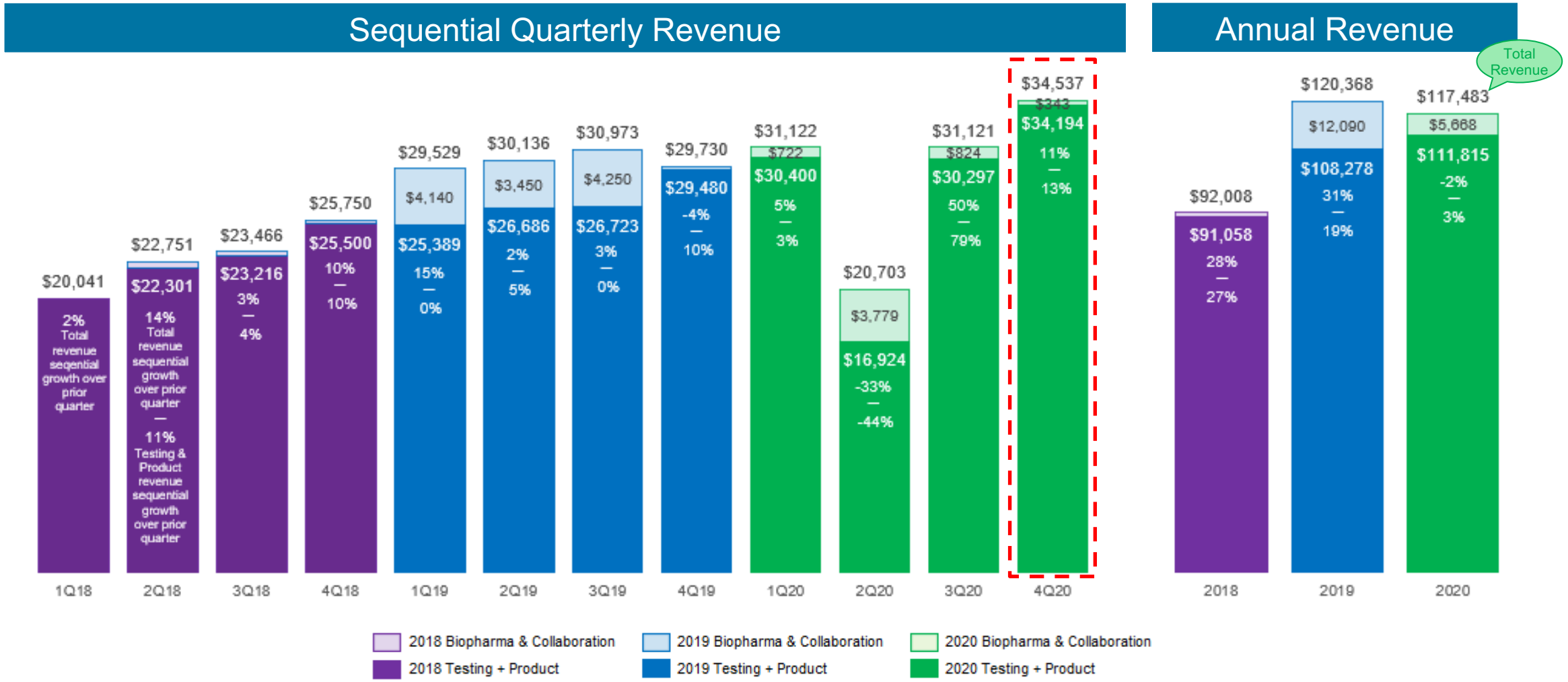
[1] Gross margin variance reflects absolute change between prior period.

[2] Total Volume includes commercial volumes for our Afirma, Percepta and Envisia genomic classifiers and Prosigna Breast Cancer Prognostic Gene Signature Assay. Clinical and registry volumes are not included.

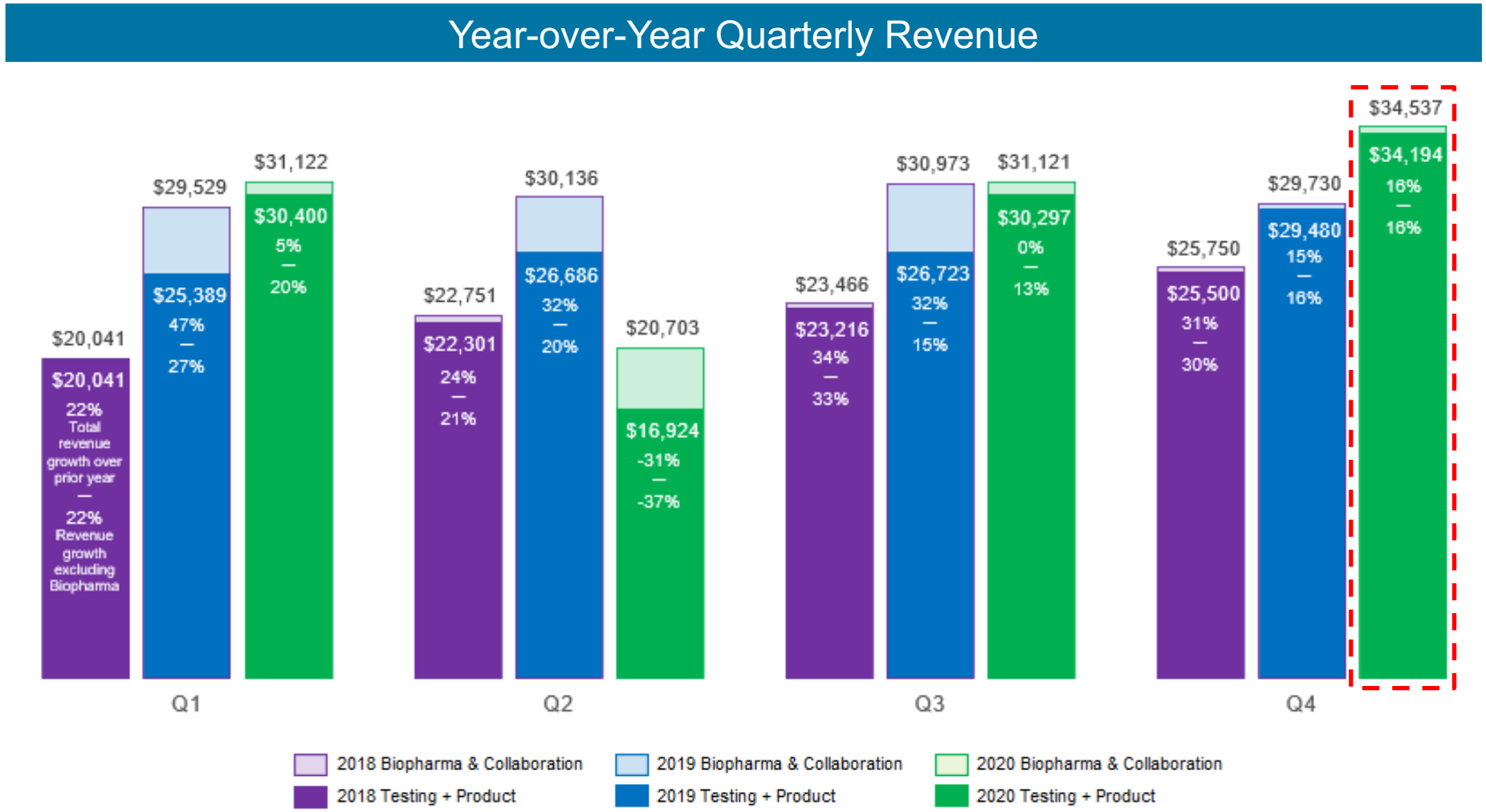
# Revenue vs Prior Year – 2020

| Benchmark<br>+ PY Variance<br>- PY Variance | | Testing Revenue | | Product Revenue | | Testing + Product Revenue | | Biopharma and Collaboration Revenue | | Total Revenue | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2020 Actuals | | $26,991 | | $3,409 | | $30,400 | | $722 | | $31,122 | |
| | | +$1,602 | +6% | +$3,409 | n/a | +$5,011 | +20% | -$3,418 | -83% | +$1,593 | +5% |
| Q2 2020 Actuals | | $15,212 | | $1,712 | | $16,924 | | $3,779 | | $20,703 | |
| | | -$11,474 | -43% | +$1,712 | n/a | -$9,762 | -37% | +$329 | +10% | -$9,433 | -31% |
| Q3 2020 Actual | | $28,270 | | $2,027 | | $30,297 | | $824 | | $31,121 | |
| | | +$1,547 | +6% | +$2,027 | n/a | +$3,574 | +13% | -$3,426 | -81% | +$148 | +0% |
| Q4 2020 Actual | | $31,497 | | $2,697 | | $34,194 | | $343 | | $34,537 | |
| | | +$2,940 | 10% | +$1,774 | +192% | +$4,714 | +16% | +$93 | +37% | +$4,807 | 16% |
| 2020 Actuals | | $101,970 | | $9,845 | | $111,815 | | $5,668 | | $117,483 | |
| | | -$5,385 | -5% | +$8,922 | +967% | +$3,537 | +3% | -$6,422 | -53% | -$2,885 | -2% |

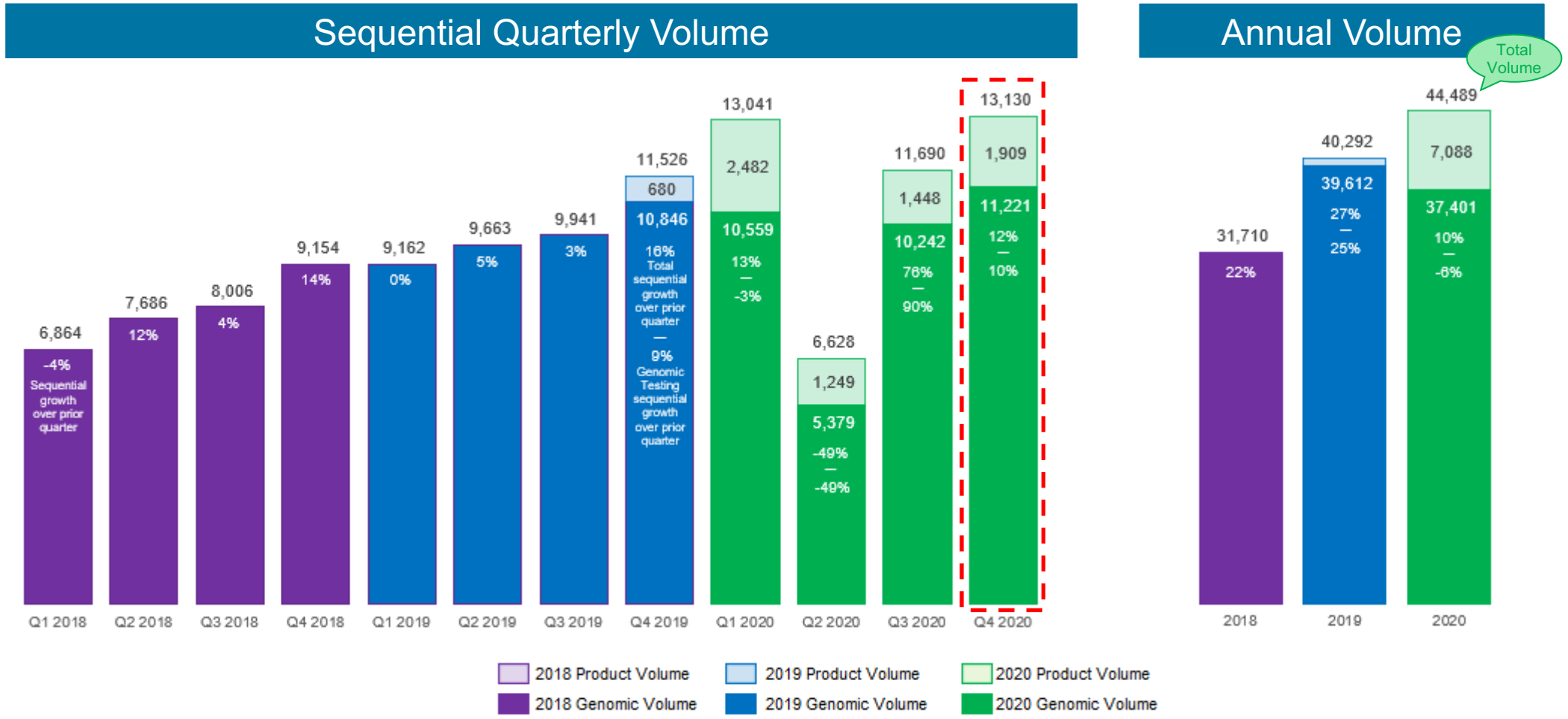
# Revenue – Sequential and Annual



# Revenue – Year-over-Year

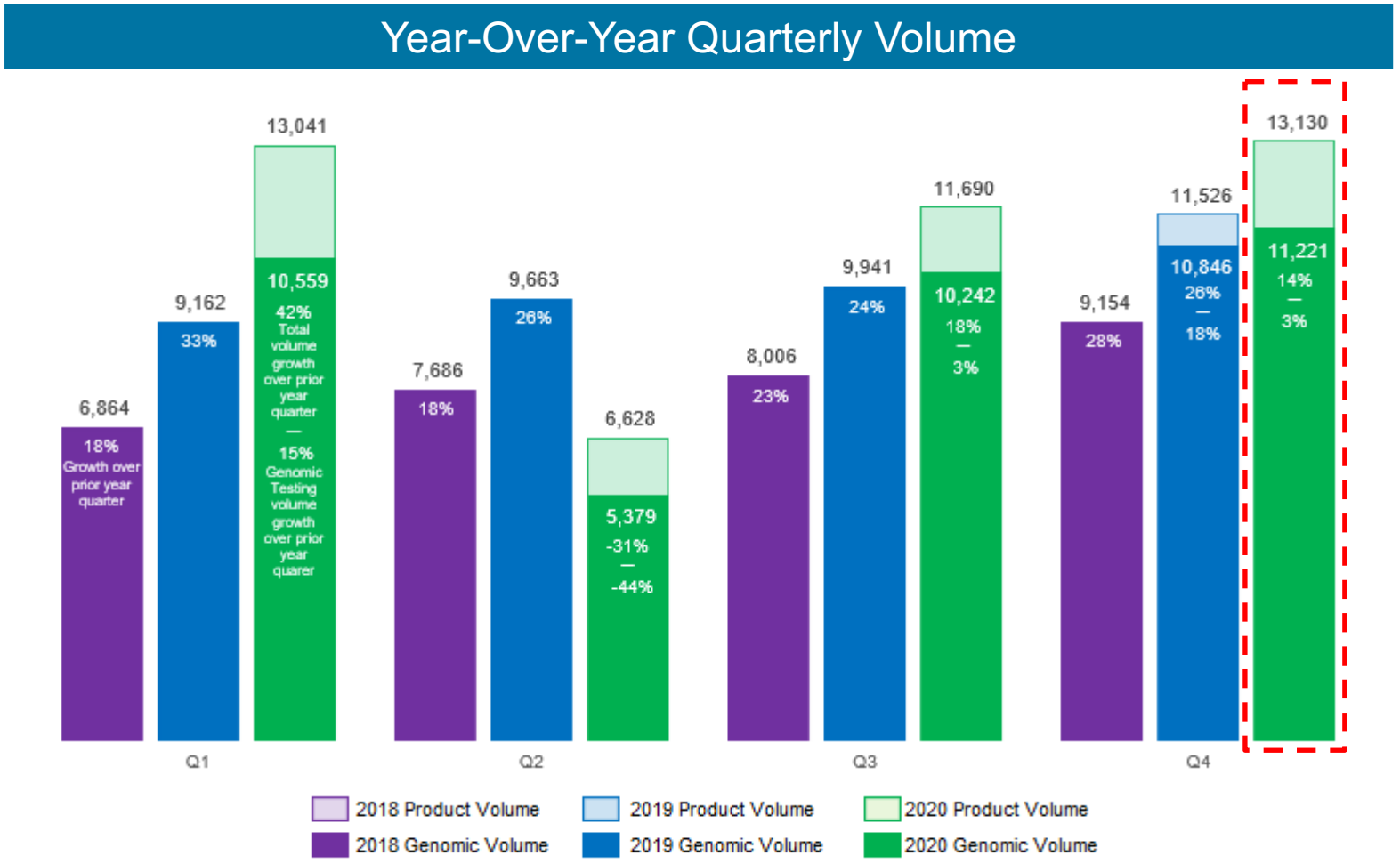


# Total Volume[1] – Sequential and Annual




[1] Total Volume includes commercial volumes for our Afirma, Percepta and Envisia genomic classifiers and Prosigna Breast Cancer Prognostic Gene Signature Assay. Clinical and registry volumes are not included.

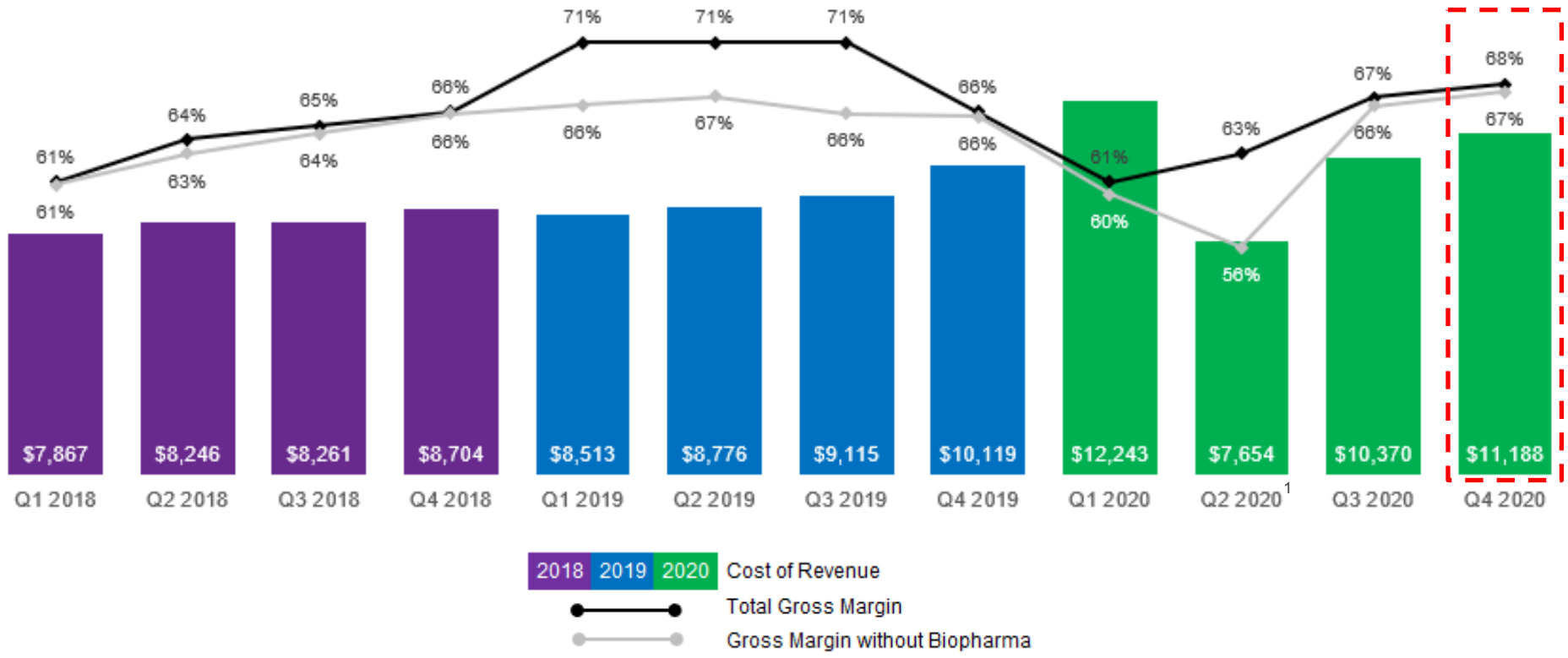
# Total Volume[1] – Year-over-Year




[1] Total Volume includes commercial volumes for our Afirma, Percepta and Envisia genomic classifiers and Prosigna Breast Cancer Prognostic Gene Signature Assay. Clinical and registry volumes are not included.

# Cost of Revenue + Gross Margin

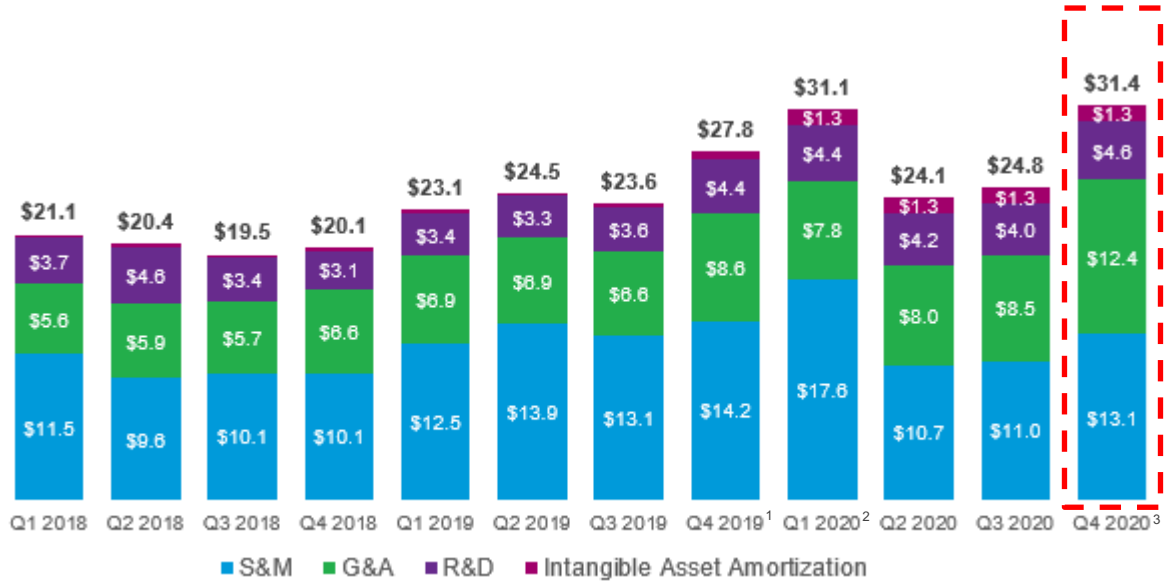
## Quarterly Cost of Revenue + Gross Margin



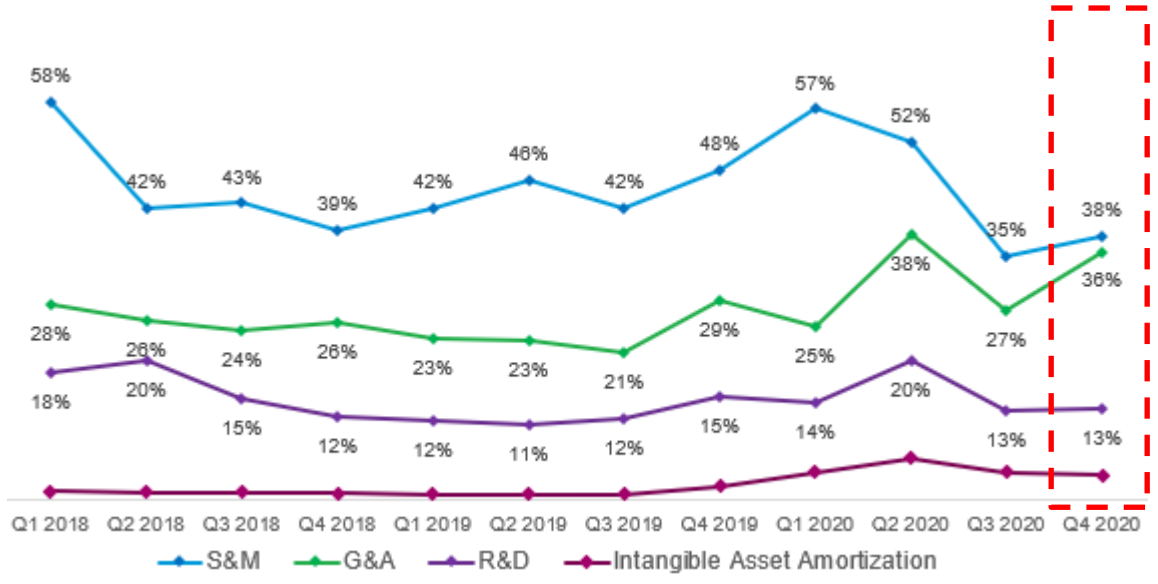

[1] In the first quarter of 2020, due to the expected impact of the global pandemic on our expected test volumes, we recognized a $1.1 million write-down of supplies that we recorded in cost of revenue.

# Operating Expenses

## Operating Expenses[4]



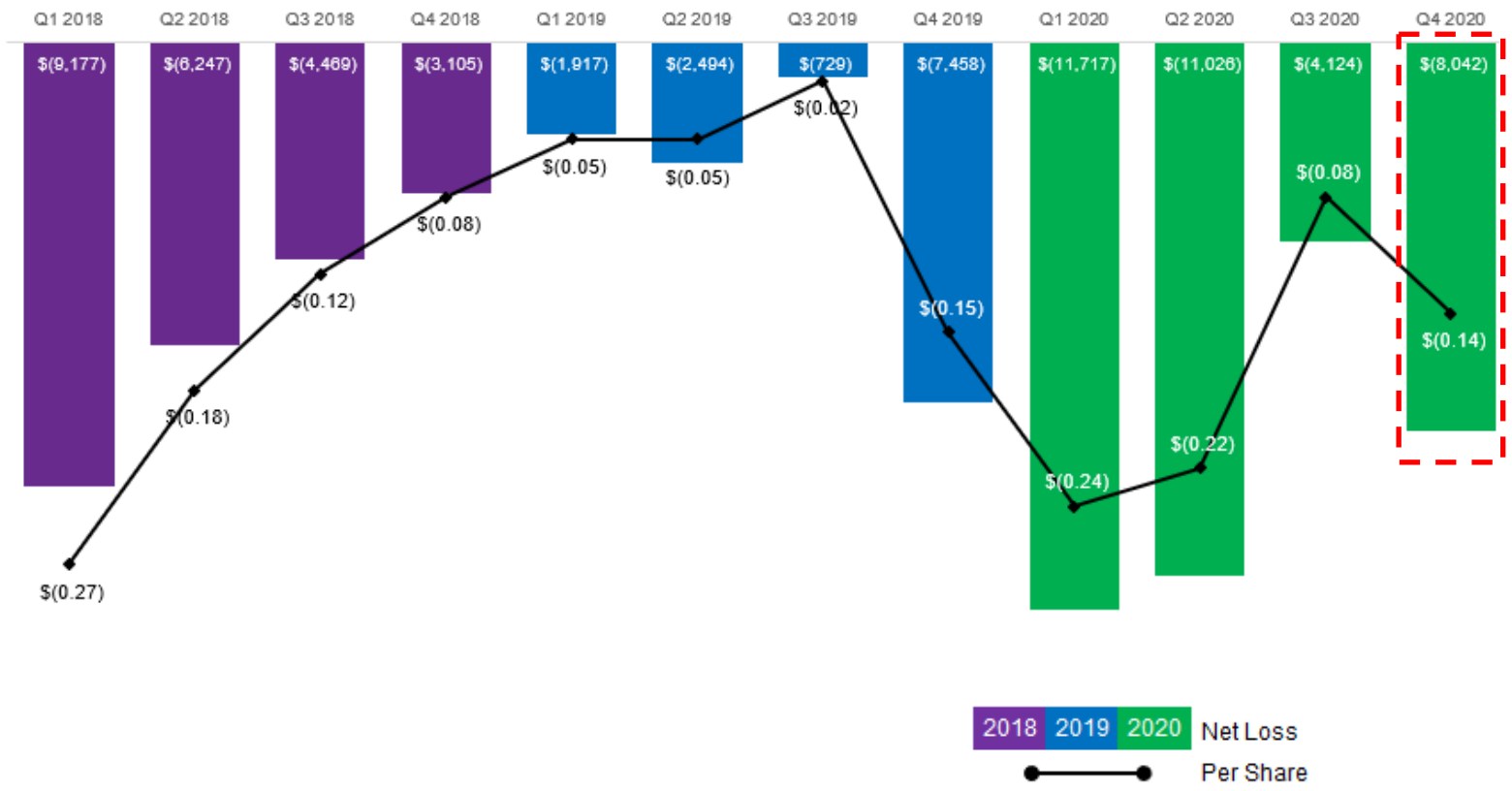

## % of Revenue



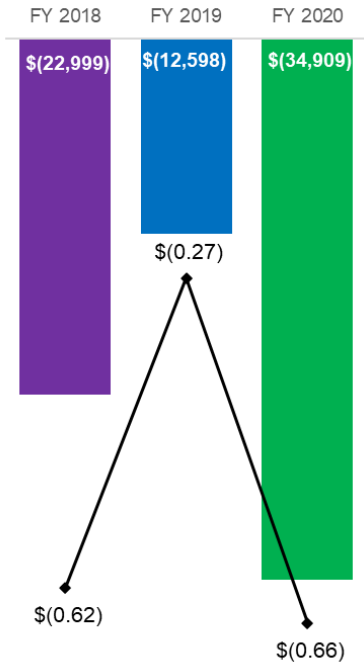

[1] In Q4 2019, G&A includes $1.5 million in transaction costs for the NanoString acquisition
[2] In Q1 2020, S&M increased $5.1 million or 41% compared to the same period in 2019 principally due to a 60% increase in average headcount
[3] In Q4 2020, G&A increased $3.8 million or 44% compared to the same period in 2019 principally due to contingent consideration associated with the December 2019 Nanostring acquisition and an impairment charge associated with our investment in MaviDX.
[4] Operating expenses rounded and summarized as presented.

# Net Loss

## Year-over-Year Quarterly Net Loss + Loss Per Share

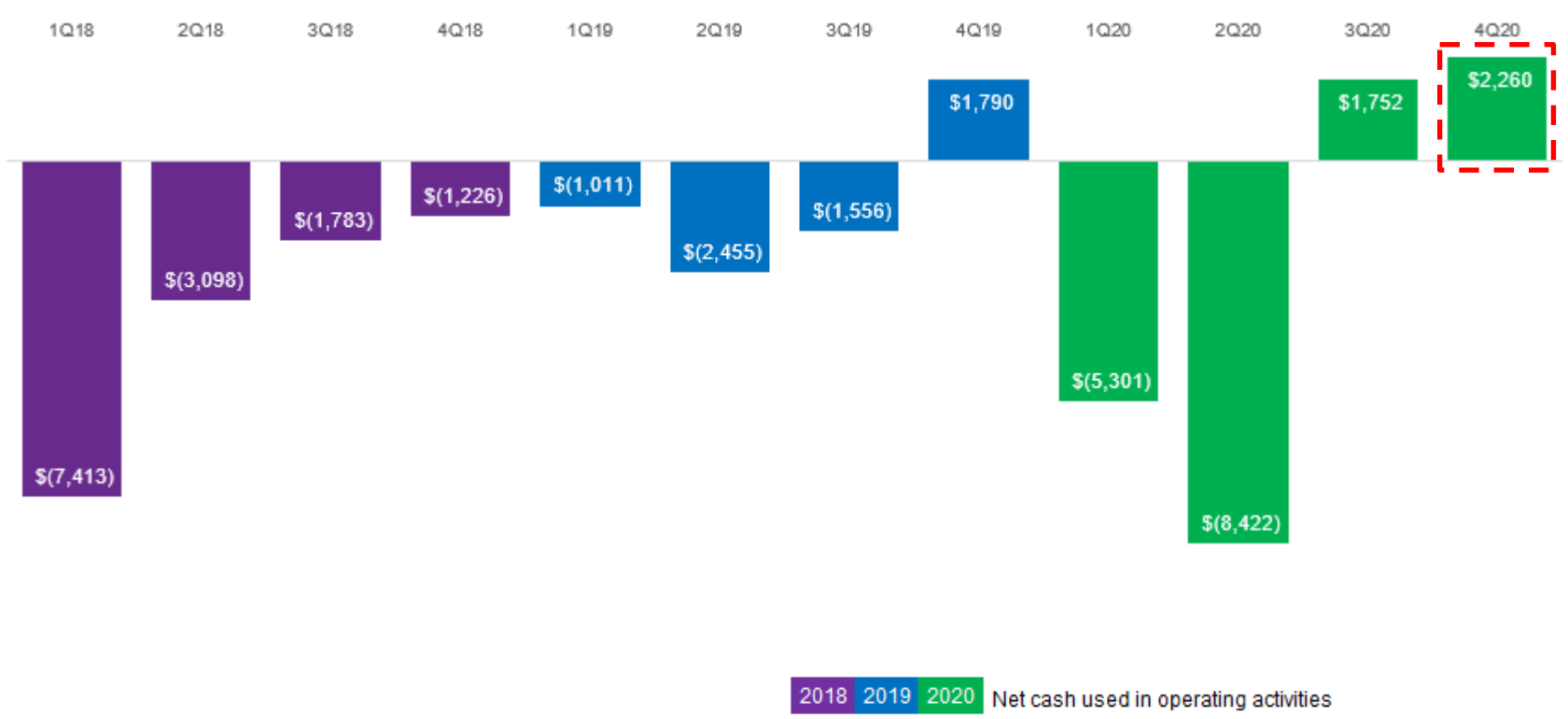



## Annual Net Loss + Loss per Share

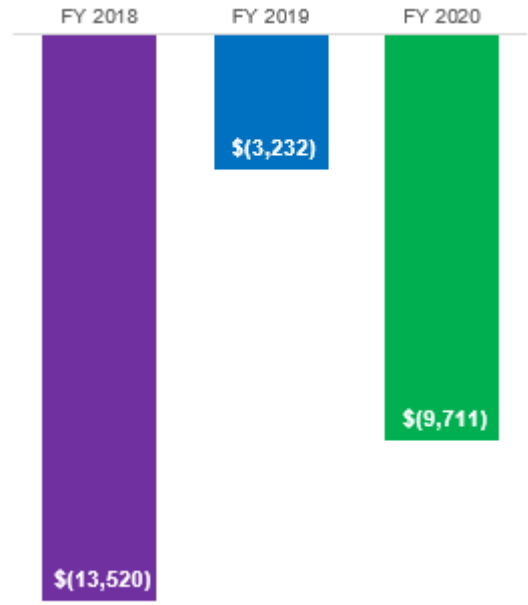


# Cash Flow From Operations

## Quarterly CFFO

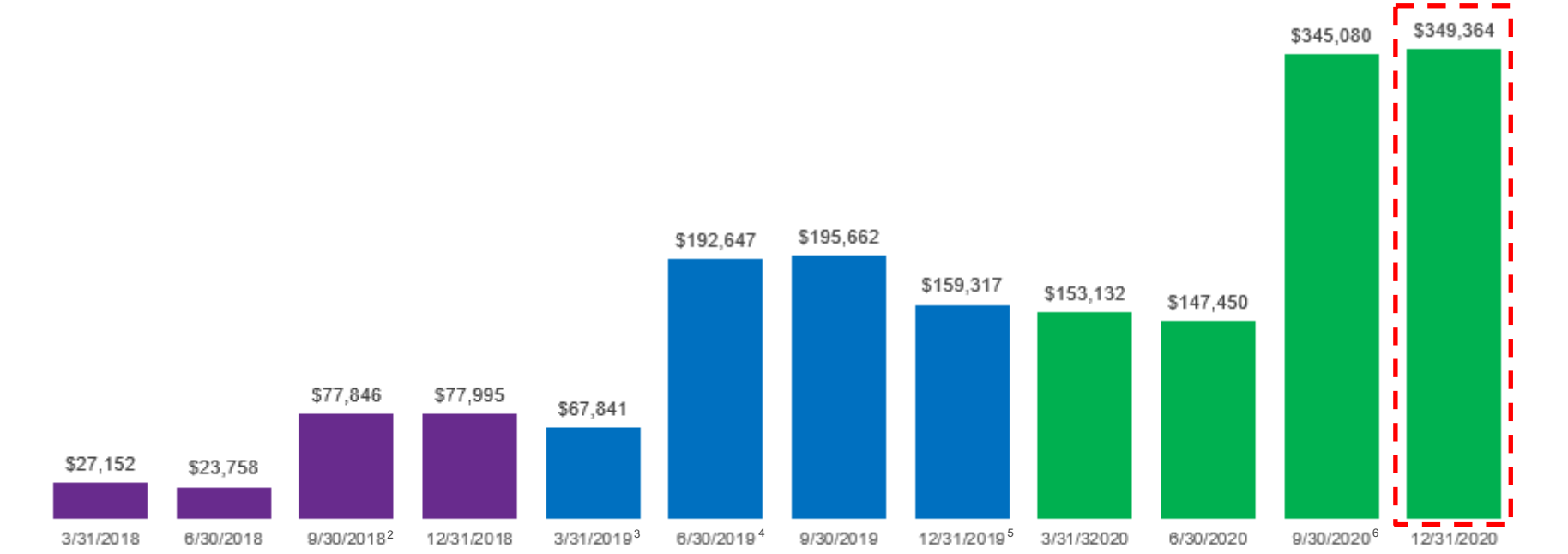



## Annual CFFO



# Cash Balance

## Cash Balance[1]




[1] Cash balance excluding restricted cash.

[2] In July 2018, the Company completed a public offering of 5.8 million shares of its common stock, raising $55.0 million in net cash proceeds.

[3] In January 2019, the Company paid down $12.5 million in long term debt partially offset by $4.2 million in option exercises and ESPP purchases.

[4] In May 2019, the Company completed a public offering of 6.3 million shares of its common stock, raising $137.8 million in net cash proceeds partially offset by paying down $12.4 million in long term debt.

[5] In December 2019, the Company paid NanoString Technologies, Inc. $40.0 million in cash consideration for the acquisition of the exclusive global diagnostic license to the nCounter® platform for diagnostic use, as well as the acquisition of NanoString's Prosigna® breast cancer prognostic test and in-development LymphMark™ lymphoma subtyping assay.

[6] In August 2020, the Company completed a public offering of 6.9 million shares of its common stock raising approximately $193.8 million, after deducting underwriting discounts and commissions and offering expenses of $13.2 million.